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NEWS RELEASE

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PSC OKs Energy Conservation Plan for Duke Energy Kentucky *Programs will be restructured and expanded*

FRANKFORT, Ky. (July 2, 2012) – The Kentucky Public Service Commission (PSC) has approved the renewal of residential and commercial energy conservation and efficiency programs for Duke Energy Kentucky Inc.

In an order issued Friday, the PSC authorized Duke Kentucky to consolidate 13 existing programs for residential or commercial customers into 10 offerings and to add three new programs. The PSC also allowed Duke Kentucky to test new small-scale programs without prior PSC approval, subject to reporting requirements and limitations on cost.

Duke Kentucky's energy conservation and efficiency initiatives are included in the companies' demand-side management (DSM) programs. In accordance with Kentucky statutes, the DSM program is funded through a surcharge on customers' bills.

A utility is required to demonstrate that its DSM programs are cost-effective in a number of ways, including providing long-term savings to ratepayers as a whole. The Duke Kentucky programs meet those tests, the PSC said.

Components of the existing Duke Kentucky DSM programs that will be continued include:

- Providing incentives to customers, builders and contractors to install high-efficiency air conditioners and heat pumps and to improve home insulation
- An energy audit program available to all residential customers
- Energy audit, energy efficiency and weatherization programs specifically tailored to the needs of low-income customers
- Giving bill credits to residential customers who allow the utility to remotely turn off air conditioners for brief periods during times of peak demand

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- Financial incentives for commercial customers to reduce energy usage through installation of energy-efficient equipment and by reducing usage during times of peak demand
- Energy audits for commercial customers
- Energy education programs for schools, including a new program that will use a live theatrical production to reinforce classroom lessons on energy efficiency

While approving the theatrical production program, the PSC did so on a three-year pilot basis only. Duke Energy will have to submit detailed reports and evaluations on the program and provide information on whether it was successful in encouraging families to undertake energy efficiency measures.

The three new Duke Kentucky programs approved by the PSC are:

- Cash incentives of up to \$30 per appliance, with a limit of two per year, for residential customers who recycle inefficient and old, but functioning, refrigerators and freezers
- A program to provide energy audits and energy conservation assistance in low-income neighborhoods
- Providing residential customers with reports that compare home energy usage in their homes to that of similar nearby homes and offer suggestions on lowering energy consumption

The PSC also authorized Duke Kentucky to initiate pilot programs in energy conservation without prior PSC approval. However, any such programs must be limited in cost and approved in advance by the members of its DSM collaborative group. The company must notify the PSC before a program begins and must provide a cost-benefit analysis.

In Friday's order, the PSC also approved revised surcharges to better reflect program costs and allocation of those costs among different customer classes. A customer using 1,000 kilowatt-hours per month (a kilowatt-hour is the amount of power used by a 100-watt light bulb in 10 hours) will see the surcharge increase by about \$1.80 per month.

Duke Kentucky is a subsidiary of Duke Energy Corp. Duke Kentucky serves about 135,000 electric customers and 95,000 natural gas customers in Boone, Bracken, Campbell, Gallatin, Grant, Kenton and Pendleton counties in northern Kentucky.

The application to renew the programs was submitted by Duke Kentucky with the support of its DSM collaborative group, with the exception of the Kentucky Office of Attorney General. The Attorney General's office participated in the case independently.

The order and related documents can be found on the PSC website, psc.ky.gov. The case number is 20112-00085.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

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